

DOTD RESPONSE TO IMG PERFORMANCE AUDIT  
November 25, 2008

In September, 2008, Infrastructure Management Group, Inc. completed a performance audit of the Crescent City Connection Division at the request of the Secretary of the Louisiana Department of Transportation and Development. The key recommendations and the response from DOTD are shown below.

**Key Recommendations** The findings and other detailed in the remainder of this report reveal numerous potential opportunities to enhance the management and operations of CCCD through a variety of functional and organizational improvements. The following are among the most significant recommendations born of this performance audit:

*I. Commission benefit-cost analyses to assess value of converting bridge to all electronic tolling and changes to ferry routes to determine the most efficient and cost-effective service.*

*To further explore the value of potential opportunities to reduce operating cost and improve service, CCCD and DOTD should commission benefit-cost analyses and feasibility study both to implement full electronic tolling for the bridge and to evaluate options for optimizing ferry service and routes. These studies would provide CCCD management and DOTD leadership essential information on whether such measures would be beneficial for CCCD's operations and the public.*

**DOTD Response:** DOTD concurs. DOTD concurs with this recommendation. Open Road Tolling would save approximately \$3 million/year; however, the cost/benefit is only realized over a 10 year period of time. In addition, a study of ferry services was conducted and the following options are recommended and under study:

- Canal St./Algiers Point Ferry - Reduce 9pm to midnight services to just weekends (Friday and Saturday)
- Gretna/Jackson St. Ferry – Reduce services during low peak hours
- Chalmette/Algiers Ferry – Increase ferry service during peak hours

*II. Formally assign authority, responsibility, and accountability for customer service and community relations to one senior position within CCCD. With this charge, the position will oversee all aspects of CCCD's service in relation to the public, and DOTD will ensure those responsibilities are fulfilled timely and effectively.*

*The formalization of authority and accountability for customer service and community relations is essential to ensuring associated goals and objectives are met. Otherwise, CCCD and DOTD risk a diffusion of responsibility, with these vital obligations going overlooked and unattended. By vesting one or even multiple positions with discrete, clear customer service and community outreach duties, CCCD and DOTD can readily task individuals with specific initiatives and follow up to ensure they were successful.*

**DOTD Response:** DOTD agrees with this response. The responsibility for customer service and community relations ultimately lies with the Executive Director; however, DOTD is in the process of restructuring the CCCD organization and will incorporate these duties into one of the management positions. Current management will also work closely with DOTD HQ public relations section to enhance the current customer service.

DOTD will also create a stakeholder panel for the CCCD. This advisory group will be able to work closely with CCCD, provide real customer engagement, demonstrate the reality of what we face, and may offer solutions not yet considered. A basic principal will be that they make recommendations, not direction. We are considering have one dealing with finances and one dealing with customer service. The composition will consist of no more than 7 CCCD customers, and be representative.

*III. Pursue greater cooperation, integration, and communication among the greater New Orleans area's transit organizations to develop and establish a regional transportation strategy.*

*Given the numerous transit authorities that operate in the greater New Orleans area, opportunities exist for enhanced coordination and cooperation to better serve the region's ever-evolving transportation needs. Were these organizations to plan and optimize their services as part of a larger system rather than as discrete, independent authorities, the entire transportation network of New Orleans would be greatly improved, better serving the public.*

**DOTD Response:** DOTD and the CCCD communicate regularly with the New Orleans Regional Planning Commission who has the responsibility to ensure that the services of all entities are optimized. CCCD will work with the New Orleans RTA to integrate the RTA schedules with the ferry schedules. We will also investigate the possibility of integrating payment of ferry rides with RTA passes. In the event that our ferries will be unavailable, CCCD will contact RTA by phone to arrange alternate transportation for its ridership.

*IV. Enhance information accessibility and transparency through improved community relations, allowing the public to easily access and find general information on the bridge and ferries as well as details on CCCD's operations and financials. In addition, formalize surveying of users to gauge overall satisfaction of both the ferries and the bridge.*

*CCCD should proactively address customer service and community relations by communicating directly with the public through better use of information dissemination vehicles such as a robust web portal. These can serve as a mechanism to update citizens concerning traffic and closure information, upcoming construction/maintenance, address changes, give responses to complaints, and support a feedback mechanism. In addition, CCCD should implement a more formal customer-surveying regime that aims to measure overall user satisfaction for both the bridge and ferry service.*

**DOTD Response:** DOTD agrees with this recommendation and will be transparent. The new CCCD website will be in place by December, 2008 and will allow customers to access information about CCCD as well as conduct business, including purchasing of toll tags, adding funds to toll accounts, paying for violations. Information on capital project payments, expenditures, and

revenues will also be included on the website. The website will be a basic website as it rolls out in December and will eventually evolve to contain additional information. The website is intended to make the interface with the public and CCCD easier. In the near future, the website will also contain a customer feedback section.

CCCD currently submits road/lane/ferry closure information to area legislators, media, DOTD public relations office, local law enforcement agencies, 511, 911, local fire departments, etc. in accordance with DOTD standard practice. Current management will develop a plan to work closely with DOTD HQ public relations section to enhance the current customer service.

*V. Reorganize, in the immediate-to-near term, the executive management structure of CCCD to consolidate and streamline job responsibilities, reduce duplication of effort, and empower positions to better execute their duties.*

*The current executive structure of CCCD, with an administrator and assistant administrator who oversee both the bridge and ferry operations as well as administration, has created inefficiencies that could be remedied through a reorganized management team.*

**DOTD Response:** DOTD is in the process of restructuring the CCCD organization into a flatter organization. Reorganization recommendations are expected to be complete by March, 2009. The first step of the restructuring has taken place with the retirement of the assistant administrator. This position is now vacant and will be eliminated. DOTD will also pursue the financial benefits of Open Road Tolling (ORT). It is anticipated that ORT would eliminate toll collector positions and several business office positions realizing an approximate savings of \$3 million/year. The cost/benefit of ORT however, is only realized over a 10 year period.

*VI. DOTD, in cooperation with CCCD management, should establish more formal communications between the two organizations and better-delineated roles and responsibilities to improve mutual accountability.*

*A clear need for improved communications between DOTD principals and CCCD management exists to ensure responsibilities are fulfilled and expectations met. Accordingly, DOTD should coordinate with CCCD's management to formally establish protocols for communication between the two organizations to ensure oversight is complete, consistent, and responsive. Such arrangements should include, among other, reaffirming reporting responsibilities and accountability, and establishing formal, periodic bi-directional status updates, and scheduling routine site visits. Through this effort, CCCD and DOTD can better ensure lapses in communications, and the management issues they present, do not occur in the future.*

**DOTD Response:** DOTD agrees with this recommendation and, with new management at CCCD, communications between DOTD HQ and CCCD have greatly improved. CCCD does view itself as part of DOTD. Goals and objectives of CCCD will be reviewed and revised in December, 2008 with DOTD executive staff. Routine meetings between the CCCD staff and DOTD HQ executive staff have begun and will continue. Progress reports and reports on contracts will be required to be submitted to DOTD HQ for review.

VII. DOTD and CCCD should reevaluate CCCD's current mission and its alignment with that of DOTD to refocus on service. In addition, both should reestablish CCCD's performance metrics to ensure they are relevant, actionable, and aligned with the missions of both organizations. Currently, CCCD's mission is devoid of a service focus or even component, and its performance measures are not wholly consistent or complementary, hindering the pursuit of common operational goals and diminishing their ultimate utility.

CCCD's current mission statement is vague, lacks acknowledgement of the public that it is serving, and is inconsistent, but not contradictory, with DOTD's mission and objectives. Furthermore, CCCD's performance measures, while providing some insight into its overall operations, are narrow in focus, difficult to manage against, and do not include important considerations such as customer satisfaction. As such, opportunities exist for a reevaluation of the mission and the performance measures that, ideally and most effectively, proceed from it. CCCD and DOTD should collaborate on establishing a stronger mission statement that focuses on serving the public, not merely providing infrastructure assets, and is consistent with and complementary of DOTD's, facilitating an alignment of operational strategies and goals. With a more rounded, compelling, and better-aligned mission statement, CCCD and DOTD can establish a more relevant and effective slate of performance measures than that what exists currently. By employing a —balanced scorecard approach, CCCD and DOTD could develop and implement metrics that conform to proven performance measurement principles and are of greater insight into the state of CCCD's operations, supplying management with data to enhance efficiency and service.

**DOTD Response:** DOTD concurs with this recommendation. CCCD currently has in place operational and functional performance measures. Together, CCCD and DOTD will work to improve current CCCD missions, policies, operational strategies and goals, and will align them with DOTD's strategies and goals. DOTD's Quality Continuous Improvement Program (QCIP) will assist in formulating new performance measures in the area of customer service. These measures will be implemented in FY 09-10. CCCD will also have the HQ public relations section look at ways to improve communications with the public.

VIII. Develop a comprehensive strategic plan for the CCCD that will govern and guide its future operations, organization, and management, and will instill a "service" philosophy at the CCCD, transforming it from a mere "infrastructure" provider to an integrated component of a public-focused transportation system for the Greater New Orleans area and the State of Louisiana.

Given the forthcoming expiry of the CCCD toll collections statute, the recent scrutiny from external stakeholders, and the findings of this performance audit and the police audit, we believe that now is the opportune time to step back and revisit the mission and vision for CCCD and how it fits into the DOTD and develop a thorough strategy and plan for its future. This effort should include:

- ☐ An evaluation of CCCD's purpose and focus and the potential options moving forward;
- ☐ A new vision and mission for CCCD's bridge and ferries that focuses on service as a part of the Greater New Orleans area's and the DOTD's vital transportation system;
- ☐ A specific plan for reorganization based on the agreed mission and vision;
- ☐ A reengineering of core processes, creation of a structure and roles, definition of a new governance structure;

- *An implementation strategy for technologies to support the processes and structure; and, finally,*
- *A development of specific measurable goals for the CCCD that reflects the strategic direction and provides management key performance indices against which it can better management operations.*

**DOTD Response:** CCCD, with DOTD, is currently evaluating CCCD's purpose and focus and the organization is undergoing restructuring. CCCD will utilize technology for better managing CCCD operations. The new CCCD website that is scheduled to be available in December, 2008 will provide a greater realm of customer service. DOTD will also work with its Intelligent Traffic Systems (ITS) section to determine the need of traffic cameras. These cameras will be able to provide real time traffic situations to advise CCCD customers of traffic conditions.

*IX. Evaluate alternatives for a reinvented role for CCCD as part of an organization with a broader mandate over all Louisiana's toll facilities.*

*Given the evolving role of toll facilities in the State, the DOTD should consider the future organization and management of tolling operations from a long-term strategic perspective and it should look to CCCD, with its legacy and leadership in this area, for opportunities to leverage existing experience and expertise. Among the alternatives for a reinvented role for CCCD as part of a broader strategy and mandate for the State's toll facilities, DOTD should consider:*

- a. Developing CCCD into a "Center for Excellence" for tolling in Louisiana under the DOTD.*
- b. Establishing a new Toll Road/Bridge Authority under the DOTD.*
- c. Reorganizing CCCD into an independent authority.*

**DOTD Response:** DOTD and other governing bodies need to make a decision with respect to the role of CCCD and any future revenue activities. If the tolls are renewed, then CCCD will develop into a "Center of Excellence" for tolling in Louisiana under the DOTD.



# Crescent City Connection Division Performance Audit

*prepared by*  
**Infrastructure  
Management Group, Inc.**

*prepared for*  
**Office of the Secretary  
Louisiana Department of  
Transportation & Development**

*issued*  
**September 2008**

**PERFORMANCE AUDIT**

*of*

CRESCENT CITY  
CONNECTION DIVISION



September 2008

*prepared for*

Office of the Secretary  
Louisiana Department of  
Transportation & Development



*prepared by*

Infrastructure  
Management  
Group, Inc.  
Bethesda, Maryland

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## EXECUTIVE SUMMARY

This Performance Audit of the Crescent City Connection Division (CCCD) was commissioned at the direction of the Office of the Secretary for the Louisiana Department of Transportation and Development (DOTD). The audit comprises operational, organizational, and governance assessments of CCCD to evaluate the its effectiveness and efficiency in the delivery of services to the greater New Orleans area with the ultimate objective of identifying and developing recommendations for the consideration of CCCD and DOTD principals to strengthen and enhance the organization in the near term and the future.

More specifically, the scope of this audit comprised three broad mandates:

- I. *Assess the CCCD organization's effectiveness in delivering road and bridge development and maintenance and in efficiently operating its ferries;*
- II. *Evaluate the governance structure of the CCCD in carrying out its mission; and*
- III. *Develop recommendations and plans to implement improvements to organization and staffing, capital planning procedures, business processes, management, and technology.*

These objectives were executed through interviews with CCCD officials and stakeholders, reviews and analyses of key documents and financials, site tours and inspections, and research of industry trends and best practices. The results of these efforts are detailed in this report, prepared for and presented to the Office of the Secretary.

### Key Findings

This performance audit evaluated CCCD across three fundamental dimensions—operations, organization, and governance—essential to the execution of its mission and the ultimate drivers of its efficiency and effectiveness. In particular, areas that influence the performance of CCCD, the economy of its operations, and the quality of its service to the public were lent keen scrutiny. Through these efforts, a large inventory of findings was assembled to supply CCCD's stakeholders with a rounded overview and analysis of the operations of CCCD and the issues its management and staff face. The following are among the more salient and exigent findings tendered for the Secretary's consideration:

- I. *Overall, CCCD is and will continue to be increasingly challenged to maintain its operations as it is faced with flat toll revenues, escalating costs, substantial subsidization requirements for ferry service, and underfunded yet statutorily prescribed capital project plans.*

CCCD relies almost exclusively on bridge toll revenues to fund the operations and maintenance of the bridge and ferries as well as the statutorily mandated capital projects. While it receives limited federal grants of less than \$1 million for ferry maintenance and its annual debt service obligations are covered with monies from Louisiana Highway Fund #2, CCCD receives no other annual contributions, save special legislative earmarks, such as approximately \$500,000 last year for ferry service, and other one-time grants. As such, CCCD's annual



bridge toll revenue of approximately \$22 million, supplemented by a scant \$250,000 in ferry tolls, must cover all expenditures. Thus, CCCD faces several operational hurdles that include flat toll revenues, escalating operating costs, and an underfunded capital improvement plan. As a result, CCCD managements and DOTD principals will be increasingly challenged to maintain services and fulfill CCCD's mandates.

- II. *CCCD has maintained an operationally progressive toll collection regime, effectively employing efficient and deliberate protocols, technologies, and back office functions to manage cash and toll tag receipts.*

CCCD has long maintained an efficient and effective toll collection operation on its bridge and was the first operator in the country to implement electronic tolling. As a result, CCCD has several notable features, including development and deployment of leading-edge technologies, rigorous and secure cash collections, and consistent transaction costs. Moreover, CCCD has been proactive in cultivating partnerships with toll authorities throughout the South, becoming a charter member of the *Alliance for Toll Interoperability*, a consortium of toll operators dedicated to promoting better customer service and lower operating costs through the implementation of standard tolling technologies.

- III. *Given its substantial ongoing capital requirements, CCCD's ferry service poses a pressing operational challenge that will become increasingly difficult to manage without changes to the routes or service cuts.*

CCCD's three ferry routes are highly costly to operate and maintain and require an annual subsidization from toll bridge revenues in excess of \$8 million per year. As these costs continue to rise, this subsidy will necessarily grow, which will further depress CCCD's operating income.

- IV. *CCCD and DOTD have undertaken measures to strengthen CCCD's processes and internal controls that govern its financial reporting, areas of deficiency noted in last year's financial statement audit conducted by the Legislative Auditor's Office. Currently, however, CCCD's back office accounting systems are aged, poorly integrated, and not conducive to ready, real-time analysis.*

The issues that existed in CCCD's financial reporting identified in FYE2007's Legislative Auditor's financial statement audit have largely been addressed, with the most appropriate and expeditious remedies implemented by CCCD and DOTD. However, CCCD's accounting system remains aged, rendering it difficult to procure a granularity of financial detail essential for CCCD's principals to effectively manage an organization with an ever-tighter budget.

- V. *Strong customer service policies and initiatives are found throughout CCCD's operations and user surveys have shown overall satisfaction. Given the service-oriented nature of CCCD, however, a stronger focus on customer service and satisfaction would be beneficial and in direct support of DOTD's mission.*

CCCD has in place several strong customer service policies and initiatives, including leading-edge tolling, ferry user surveying, customer service training, a thorough complaint handling process, and a highly accommodating violation

appeal process. Beyond these effective and commendable customer service areas, however, CCCD's operations could be enhanced with a strong, better-defined strategic focus on user satisfaction to ensure that it remains focused on delivering the utmost satisfaction to its users as efficiently as possible.

- VI. *Similar to most public agencies, CCCD's organizational structure is very hierarchical, with lower-level staff overseen by mid-managers who, in turn, report to executive management. While such a structure lends certain advantages, an existing lack of clearly defined roles and responsibilities across the organization has, in many ways, created inefficiencies, ill-defined accountability, and duplication of effort.*

The efficacy of the current organizational structure of CCCD relies on clearly defined roles and responsibilities to ensure existing positions are best leveraged. However, limited distinction among management roles has contributed to a duplication of efforts and ill-defined accountability. In addition, CCCD's engineer lacks direct authority over operations and gangs, which can impose unnecessary challenges in overseeing capital and maintenance projects. These and other areas pose some inefficiencies and potential issues from both an organizational and an operational perspective

- VII. *Although governed as DOTD's tenth district, CCCD operates largely autonomously, functioning with limited oversight from DOTD. As such, the roles and responsibilities must be clearly delineated and adhered to, with open, consistent communications between CCCD management and DOTD's principals. Historically, such a relationship has not been adequately maintained, contributing to the need for rather reactive oversight and intervention by the LADODT when issues occur.*

As a multi-jurisdiction, self-sufficient entity with a narrow realm of responsibility, CCCD is unique among the DOTD's ten districts. This presents distinct challenges for both CCCD management and DOTD, necessitating a well-established, mutual understanding of the responsibilities and obligations required of each to ensure jointly effectual and satisfactory governance and oversight. Through interviews with CCCD management and DOTD principals, a lack of consistent communication as well as incongruous expectations was evident, indicative of potential governance issues.

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### **Key Recommendations**

The above findings and other detailed in the remainder of this report reveal numerous potential opportunities to enhance the management and operations of CCCD through a variety of functional and organizational improvements. The following are among the most significant recommendations born of this performance audit:

- I. *Commission benefit-cost analyses to assess value of converting bridge to all electronic tolling and changes to ferry routes to determine the most efficient and cost-effective service.*

To further explore the value of potential opportunities to reduce operating cost and improve service, CCCD and DOTD should commission benefit-cost analyses and feasibility study both to implement full electronic tolling for the bridge and to evaluate options for optimizing ferry service and routes. These studies would provide CCCD management and DOTD leadership essential information on whether such measures would be beneficial for CCCD's operations and the public.

- II. *Formally assign authority, responsibility, and accountability for customer service and community relations to one senior position within CCCD. With this charge, the position will oversee all aspects of CCCD's service in relation to the public, and DOTD will ensure those responsibilities are fulfilled timely and effectively.*

The formalization of authority and accountability for customer service and community relations is essential to ensuring associated goals and objectives are met. Otherwise, CCCD and DOTD risk a diffusion of responsibility, with these vital obligations going overlooked and unattended. By vesting one or even multiple positions with discrete, clear customer service and community outreach duties, CCCD and DOTD can readily task individuals with specific initiatives and follow up to ensure they were successful.

- III. *Pursue greater cooperation, integration, and communication among the greater New Orleans area's transit organizations to develop and establish a regional transportation strategy.*

Given the numerous transit authorities that operate in the greater New Orleans area, opportunities exist for enhanced coordination and cooperation to better serve the region's ever-evolving transportation needs. Were these organizations to plan and optimize their services as part of a larger system rather than as discrete, independent authorities, the entire transportation network of New Orleans would be greatly improved, better serving the public.

- IV. *Enhance information accessibility and transparency through improved community relations, allowing the public to easily access and find general information on the bridge and ferries as well as details on CCCD's operations and financials. In addition, formalize surveying of users to gauge overall satisfaction of both the ferries and the bridge.*

CCCD should proactively address customer service and community relations by communicating directly with the public through better use of information dissemination vehicles such as a robust web portal. These can serve as a mechanism to update citizens concerning traffic and closure information, upcoming construction/maintenance, address changes, give responses to complaints, and support a feedback mechanism. In addition, CCCD should implement a more formal customer-surveying regime that aims to measure overall user satisfaction for both the bridge and ferry service.

- V. *Reorganize, in the immediate-to-near term, the executive management structure of CCCD to consolidate and streamline job responsibilities, reduce duplication of effort, and empower positions to better execute their duties.*

The current executive structure of CCCD, with an administrator and assistant administrator who oversee both the bridge and ferry operations as well as administration, has created inefficiencies that could be remedied through a reorganized management team.

- VI. *DOTD, in cooperation with CCCD management, should establish more formal communications between the two organizations and better-delineated roles and responsibilities to improve mutual accountability.*

A clear need for improved communications between DOTD principals and CCCD management exists to ensure responsibilities are fulfilled and expectations met. Accordingly, DOTD should coordinate with CCCD's management to formally establish protocols for communication between the two organizations to ensure oversight is complete, consistent, and responsive. Such arrangements should include, among other, reaffirming reporting responsibilities and accountability, and establishing formal, periodic bi-directional status updates, and scheduling routine site visits. Through this effort, CCCD and DOTD can better ensure lapses in communications, and the management issues they present, do not occur in the future.

- VII. *DOTD and CCCD should reevaluate CCCD's current mission and its alignment with that of DOTD to refocus on service. In addition, both should reestablish CCCD's performance metrics to ensure they are relevant, actionable, and aligned with the missions of both organizations. Currently, CCCD's mission is devoid of a service focus or even component, and its performance measures are not wholly consistent or complementary, hindering the pursuit of common operational goals and diminishing their ultimate utility.*

CCCD's current mission statement is vague, lacks acknowledgement of the public that it is serving, and is inconsistent, but not contradictory, with DOTD's mission and objectives. Furthermore, CCCD's performance measures, while providing some insight into its overall operations, are narrow in focus, difficult to manage against, and do not include important considerations such as customer satisfaction. As such, opportunities exist for a reevaluation of the mission and the performance measures that, ideally and most effectively, proceed from it. CCCD and DOTD should collaborate on establishing a stronger mission statement that focuses on serving the public, not merely providing infrastructure assets, and is consistent with and complementary of DOTD's, facilitating an alignment of operational strategies and goals. With a more rounded, compelling, and better-aligned mission statement, CCCD and DOTD can establish a more relevant and effective slate of performance measures than that what exists currently. By employing a "balanced scorecard" approach, CCCD and DOTD could develop and implement metrics that conform to proven performance measurement principles and are of greater insight into the state of CCCD's operations, supplying management with data to enhance efficiency and service.

- VIII. *Develop a comprehensive strategic plan for the CCCD that will govern and guide its future operations, organization, and management, and will instill a "service" philosophy at the CCCD, transforming it from a mere "infrastructure" provider to an integrated component of a public-focused transportation system for the Greater New Orleans area and the State of Louisiana.*

Given the forthcoming expiry of the CCCD toll collections statute, the recent scrutiny from external stakeholders, and the findings of this performance audit and the police audit, we believe that now is the opportune time to step back and revisit the mission and vision for CCCD and how it fits into the DOTD and develop a thorough strategy and plan for its future. This effort should include:

- An evaluation of CCCD's purpose and focus and the potential options moving forward;
- A new vision and mission for CCCD's bridge and ferries that focuses on service as a part of the Greater New Orleans area's and the DOTD's vital transportation system;
- A specific plan for reorganization based on the agreed mission and vision;
- A reengineering of core processes, creation of a structure and roles, definition of a new governance structure;
- An implementation strategy for technologies to support the processes and structure; and, finally,
- A development of specific measurable goals for the CCCD that reflects the strategic direction and provides management key performance indices against which it can better management operations.

IX. *Evaluate alternatives for a reinvented role for CCCD as part of an organization with a broader mandate over all Louisiana's toll facilities.*

Given the evolving role of toll facilities in the State, the DOTD should consider the future organization and management of tolling operations from a long-term strategic perspective and it should look to CCCD, with its legacy and leadership in this area, for opportunities to leverage existing experience and expertise. Among the alternatives for a reinvented role for CCCD as part of a broader strategy and mandate for the State's toll facilities, DOTD should consider:

- a. *Developing CCCD into a "Center for Excellence" for tolling in Louisiana under the DOTD.*
- b. *Establishing a new Toll Road/Bridge Authority under the DOTD.*
- c. *Reorganizing CCCD into an independent authority.*

## AUDIT SCOPE AND METHODOLOGY

As directed by the Office of the Secretary for the Louisiana Department of Transportation and Development (DOTD), the scope of this performance audit comprises a high-level organization effectiveness and governance evaluation of the Crescent City Connection Division (CCCD). The intention of the audit was to engage DOTD principals, CCCD management, their staff at multiple levels, and other stakeholders to develop an appreciation and understanding of the current operation of the CCCD to ultimately identify opportunities for improvement throughout and across the organization. To this end, the primary goals of the engagement were to:

- 1) **Assess the CCCD organization's effectiveness in delivering road and bridge development and maintenance and in efficiently operating its ferries;**
- 2) **Evaluate the governance structure of the CCCD in carrying out its mission; and**
- 3) **Develop recommendations and plans to implement improvements to organization and staffing, capital planning procedures, business processes, management, and technology.**

The methods employed in the course of this audit consisted of multiple in-depth interviews and extensive walkthroughs of the CCCD facilities. Interviews were held at several levels of CCCD management, DOTD officials and staff members, toll authorities under similar operational structures, Louisiana legislators and other State officials, and user groups. The interviews focused on relationships with the CCCD, their perception of the strengths and challenges of the CCCD, and potential opportunities for improvement at the CCCD. As was conveyed to those who participated in the interviews, the information shared and collected was not for attribution in order to preserve objectivity, candor, and anonymity.

Beyond interviews, extensive documentation was assembled, most often with the assistance of CCCD officials and staff, and reviewed to lend further insights into the organization, its operations, and performance. This information consisted primarily of organizational, financial, and management documents and reports, including:

- Organization charts;
- Strategic and business plans;
- Financial statements;
- Budgets;
- Position descriptions;
- Process details, including capital planning, maintenance, and service delivery;
- Performance metrics and reports;
- Service contracts;
- Capital improvement plans;
- Bond Official Statements; and
- Relevant legislation.

Secondary data and general information was also gathered from organizations that serve as comparators to the CCCD (e.g., the Greater New Orleans Causeway Commission).

After this data gathering “discovery” phase of the audit, focus shifted to an evaluation, analysis, and ultimate synthesis of the information assembled. The evaluation process comprised four areas of consideration and evaluation:

- 1) **Organizational Structure:** Ensuing that the CCCD's organizational structure reflects its mission and that all work carried out supports that mission. How these factors affect the organizational structure was examined in concert with the mission and strategy to determine: effectiveness of the existing overall structure, the role of “in house” versus contracted work activities, the physical location of managers and staff, human capital management practices, etc.
- 2) **Governance Roles:** Assessing the existing governance structure and its suitability and sufficiency for the political environment, the strategic direction of the organization, and the historical performance of the organization, among other considerations.
- 3) **Processes:** Examining the formal and underlying business processes and supporting systems used to complete daily activities. Using a “process view” of the various activities CCCD performs, to cover the core business processes that are performed (e.g., delivery of toll and ferry services, identify-select-approve-implement capital projects, perform maintenance, contract with vendors, among others.) and the systems that are used in their execution (e.g., billing systems, work management systems).
- 4) **Performance Metrics:** Analyze existing performance metrics that monitor performance based on the organization's mission. Evaluate the responsiveness of the organization to linking specific and comprehensive measures to overall performance.

This scope and methodology was employed to ultimately develop a complete, holistic assessment of CCCD's performance and organizational effectiveness in order to deliver recommendations to both DOTD principals and CCCD management that are salutary, yet practical, functional, and circumspect in their political and financial feasibility.

The remainder of this report details an organizational overview of CCCD, the findings of the efforts outlined above, and, finally, a slate of recommendations, wholly informed by a reasoned, deliberate analysis of the organization, its people, and processes are presented for DOTD's consideration.

## HISTORY AND OVERVIEW OF THE CCCD

One of ten divisions of the Louisiana Department of Transportation and Development (DOTD), the Crescent City Connection Division (CCCD) oversees both the Crescent City Connection toll bridge as well as the operation of three ferry routes across the Mississippi River. Serving as the primary connection for the New Orleans's parishes, CCCD was established with a mission to "*plan, construct, operate, maintain, and police river crossings over the Mississippi River in the parishes of Jefferson, Orleans, and St. Bernard.*" CCCD's genesis stretches back to 1954 when construction of the original bridge was initiated under the Mississippi River Bridge Authority, which oversaw its operations for over three decades. In 1989, the Louisiana Legislature established the CCCD, transferring stewardship of the bridge, renamed the Crescent City Connection.

As it exists today, the CCCD is a body politic and corporate of the State of Louisiana, incorporated under the authority of Act No. 7 of 1952, with power to acquire by purchase, lease, or otherwise, and to construct, improve, maintain, repair, and operate bridges and ferries across the Mississippi River in the City of New Orleans. The division, domiciled in New Orleans, employed 200 people as of June 30, 2007. Pursuant to the terms of the Reorganization Act of 1976, as amended, the DOTD, on July 1, 1977, assumed control of the operations of the then Mississippi River Bridge Authority. All of the functions of the authority's General Fund, including maintaining accounting records, issuing all checks for payroll, operations, routine maintenance expenses and contractual obligations, were transferred to the DOTD on that date. In July 1988, the payment of the operating expenses of the then Mississippi River Bridge Authority again became the responsibility of the authority. However, except for collecting and depositing toll revenues, the accounting records are maintained by the DOTD. In April 1992, the division issued \$30,860,000 of bonds under a Second Supplemental Agreement to the 1954 Indenture and Deed of Trust to construct additional Mississippi River crossings and to make additions or improvements to the bridge and its approaches. In November 2002, the division issued \$19,900,000 of bonds under an Amended and Restated Indenture and Deed of Trust to provide funds to refund all of the 1992 Bonds and to pay the costs of issuance.

The Crescent City Connection is among the top five most traveled toll bridges in the US with traffic volume in excess of 63 million travelers.<sup>1</sup> As the first toll facility in the country to use electronic toll collection, CCCD's toll tag usage represents approximately 48% of the tolls collected across the bridge.<sup>2</sup> Louisiana legislators, who control the toll rates by legislation, have set the current bridge toll rate at 0.50 cents per axle if paying in cash and 0.20 cents per axle if using a toll tag. The current ferry toll rate is \$1 per vehicle and free for pedestrians. The legislation governing CCCD also directed the creation of the Crescent City Police Department and mandated several projects related to the bridge system be constructed with surplus toll revenues. It further empowers an Oversight Authority, composed of representatives from the parishes served by CCCD, with the responsibility and authority to prioritize these projects.

As an organization, the CCCD has been using performance measures for several years as well as setting goals within the overarching five-year strategic plan as a part of the DOTD. CCCD operates under the civil service system for the State of Louisiana. The toll authorization for the CCCD expires at the end of 2012. For FYE09, CCCD has a \$26.4 million operating budget and anticipated toll and ferry revenues of approximately \$22 million. This toll revenue, combined with some state and federal funding, funds the operating and maintenance of the bridge and ferries as well as active capital projects.

<sup>1</sup> LADOTD website: <http://www.dotd.louisiana.gov/operations/cccd/bridges.asp>

<sup>2</sup> CCCD Goals and Objectives



**FINDINGS OF PERFORMANCE AUDIT**

As detailed in the preceding methodology section, this performance audit evaluated CCCD across three fundamental dimensions—operations, organization, and governance—essential to the execution of its mission and the ultimate drivers of its efficiency and effectiveness. Within these areas, thorough consideration and examination were directed at areas that influence the performance of CCCD, the economy of its operations, and the quality of its service to the public. Through these efforts, a slate of findings, each dutifully deliberated and ultimately validated, was compiled that guided the audit's analysis and informed its recommendations. The proceeding sections outline and explicate these findings and their significance to the performance of CCCD.

**Operations**

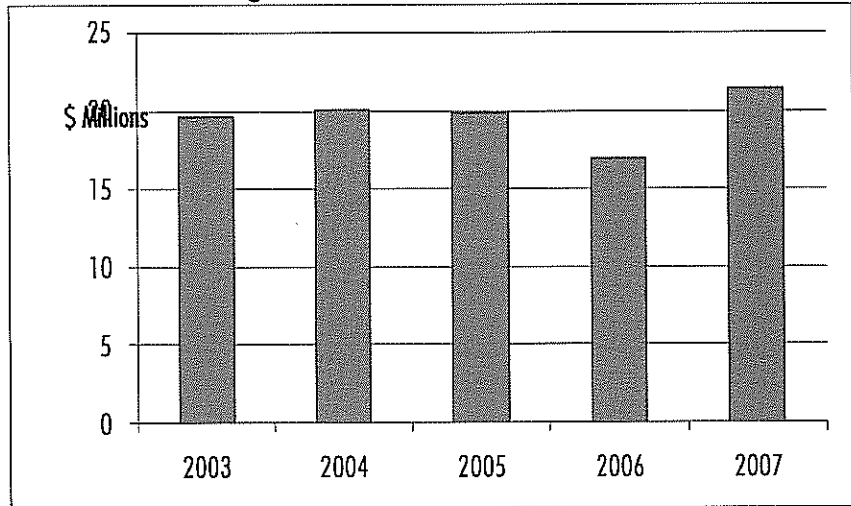
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- 1) **Overall, CCCD is and will continue to be increasingly challenged to maintain its operations as it is faced with flat toll revenues, escalating costs, substantial subsidization requirements for ferry service, and underfunded yet statutorily prescribed capital project plans.**

CCCD relies almost exclusively on bridge toll revenues to fund the operations and maintenance of the bridge and ferries as well as the statutorily mandated capital projects. While it receives limited federal grants of less than \$1 million for ferry maintenance and its annual debt service obligations are covered with monies from Louisiana Highway Fund #2, CCCD receives no other annual contributions, save special legislative earmarks, such as approximately \$500,000 last year for ferry service, and other one-time grants. As such, CCCD's annual bridge toll revenue of approximately \$22 million (depicted in Figure 1), supplemented by a scant \$250,000 in ferry tolls, must cover all expenditures. Thus, CCCD faces several operational challenges, including:

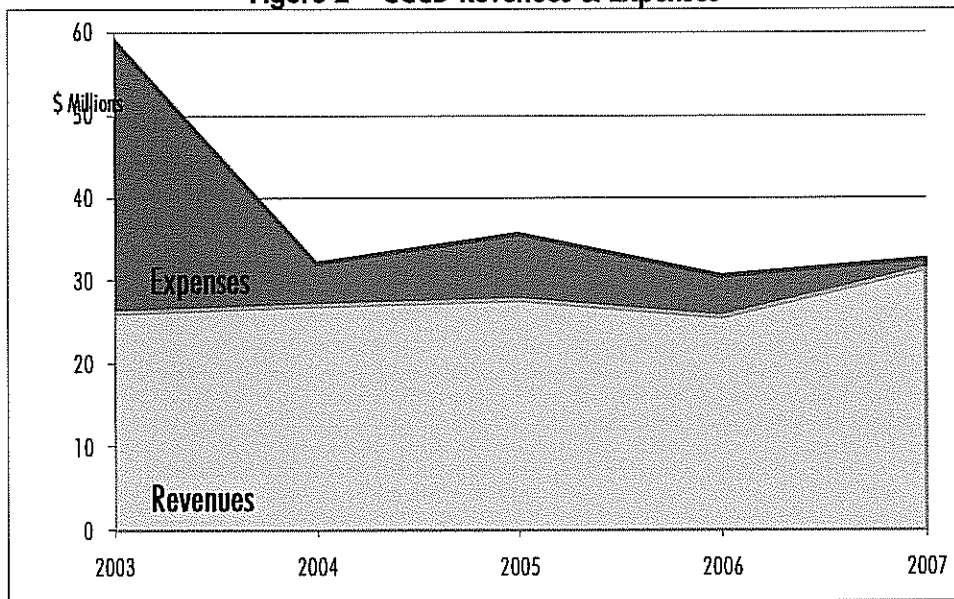
- *Virtually assured flat toll revenues* – CCCD's toll rates are set by the Louisiana legislature and are, thus, exceedingly difficult to change. The bridge's current rates of \$0.50 and \$0.20 per axle for cash and toll tag, respectively, have not changed in nearly twenty years. In fact, the rates for toll tag transactions have been reduced through several legislative amendments from \$0.50 per axle in 1989 to the current \$0.20, a 60 percent discount over cash. Such a steep discount is, in itself, problematic in two key ways: first, anticipated toll revenues for capital projects mandated in the governing statute assumed this higher rate; and, second, CCCD is effectively unable to promote greater adoption of more efficient and less costly toll tags because of the significant revenue it would forfeit if fewer users paid the \$0.50 cash toll. Beyond the discount, however, CCCD's fixed toll rates have left no opportunity to increase revenues, even to adjust for nearly two decades of inflation, in spite of escalating costs and fairly constant traffic. Recent efforts in the Louisiana Legislature to adjust these toll rates have stalled.
- *Rising costs for both operations and maintenance and capital projects* – Despite flat revenues, CCCD's costs continue to rise as inflationary forces drive operating expenses higher. Over FYE07, CCCD's FYE08

**Figure 1 – CCCD Toll Revenues**



budget for bridge operations was up approximately 13 percent despite flat traffic growth. The three largest sources of cost increases were salaries and related benefits, professional services, and numbered and unnumbered equipment, with each contributing 22, 18, and 31 percent, respectively, of the total dollar increase. In examining each distinct cost component, overtime pay experienced the largest gain over last year, jumping over 50 percent, largely as a result of the mandated hiring freeze that required more overtime from existing staff and difficulties in filling entry-level positions, which will be detailed further in proceeding sections. Regular salaries and related benefits grew at five and four percent, respectively. Materials and supplies also jumped 18 percent over last year. For the marine operations, costs grew at an even higher rate, with total expenditures rising approximately 23 percent from FYE07 to FYE08. The biggest contributor to this increase was materials and supplies, constituting 25 percent of the total gain, which is perhaps unsurprising given the dramatic rise in the cost of essential materials; in particular, the price of diesel fuel, as reported by the Bureau of Labor and Statistics (BLS) in May 2008, rose 61 percent over last year. Consequently, materials and supplies for the marine operations were up nearly 40 percent. In addition, overtime expenses jumped 72 percent, while insurance costs rose nearly 30 percent.

Beyond these operating expenses, however, outstanding capital projects are growing costlier the longer they are deferred as construction costs, particularly in post-Katrina New Orleans, continue to escalate at a pace greater than inflation, CCCD will remain hard pressed to fund the remaining \$100 million+ slate of projects still in Act 59 of 1998. According to the BLS, gains in materials costs were highest for street and highway construction, rising 12.8 percent over the past year. Consequently, the projects contemplated in 1998's Act 59 that remain uninitiated, which collectively were estimated in 2006 to cost over \$75 million, will only become more expensive and, thus, even less likely to ever be funded.

**Figure 2 – CCCD Revenues & Expenses**

\* 2003 Included \$20 M Bond Redemption Expense

- *Flat revenues and rising operating costs have generated operating deficits in the most recent fiscal year and forecasts show the financial situation over the coming years will only worsen.* As outlined above, the inability of toll revenues and anticipated grants to cover operating expenses in the near future will eventuate in sustained operating deficits that are almost assured to last the duration of bridge's toll authorization absent significant retrenchment measures. The lack of any operating surpluses will preclude the initiation of the yet unfunded capital projects without additional grants.
- 2) ***CCCD has maintained an operationally progressive toll collection regime, effectively employing efficient and deliberate protocols, technologies, and back office functions to manage cash and toll tag receipts.***

CCCD's cash and electronic toll operations comprise several notable efficiencies and well-established procedures that have provided for effective management and oversight of collections. As the first toll facility in the country to use electronic toll collection ("ETC"), CCCD's bridge toll collections have a long history of progressive operations. However, with approximately 52 percent of its toll operations electronic, CCCD also relies on well-managed cash collections that ensure tight, secure handling and oversight of substantial daily cash receipts. Among the notable features of CCCD's toll operations identified in this audit are:

- *Effective current and historical use of ETC* – CCCD has a well-established legacy of progressive implementation of innovative electronic tolling systems, the first of which was deployed in 1989. Since then, the technology has been refined and refreshed and a new system, the third since 1989, is in the early stages of deployment and is expected to be fully implemented by 2010. This new system, under development by the Electronic Transaction Consultants Corporation, is expected to significantly improve back office functions, enhance accuracy, and reduce leakage as well as facilitate and enable a more

comprehensive customer service-focused approach. In addition, CCCD and the new ETC system will manage the toll collections for Louisiana Highway 1 ("LA 1"), the focus of a \$300 million reconstruction effort led by the DOTD. Slated to be open for traffic in late 2009, the rebuilt LA 1 will be the first toll facility in the state to utilize a fully electronic, cashless open road tolling ("ORT") system. Extending CCCD oversight and management of LA 1's toll collection is suggestive of DOTD's as well as the bondholders' confidence in CCCD's electronic toll expertise and experience and its capacity to manage additional toll facilities.

- *Rigorous protocols for cash collections* – CCCD has in place various policies and procedures to ensure proper handling, collection, and accounting of daily cash receipts. With such measures as a rigorous recruiting and training process, comprehensive and rigid cash collection and reconciliation protocols, and daily performance and accuracy ratings for each employee, CCCD has been able to maintain and achieve a respectable toll collector performance rating, a daily metric of the accuracy of an individual collector's cash accounting when reconciled against electronic transaction records and processed for deposit, that approaches 100 percent with a DOTD-sanctioned target of 98 percent. According to DOTD records, in fiscal year ending ("FYE") 2007, toll collector performance was 99.89 percent; the results for the first three quarters of FYE2008 were 99.91, 99.67, and 99.91 percent, respectively. While comparable benchmarks are limited, this performance is largely in line with similar targets of other peer toll facilities; Maryland DOTD, for instance, requires their starting toll collectors to achieve maximum cash error rates and maximum axle error rate of six-tenths of one percent (0.6%) for two consecutive months to be eligible for permanent status. These requirements become more stringent as the toll collectors advance to higher levels, becoming two-tenths of one percent (0.2%) for level threes.<sup>3</sup> A similar measure, the shortage/overage of collections, is employed by the office of the city manager of El Paso, Texas for its international bridges and targets five-tenths of one percent (0.5%).
- *Consistent cost per vehicle for bridge toll facility* – As mandated and monitored by DOTD, CCCD maintains quarterly targets for toll bridge costs per vehicle. The measure, calculated according the DOTD's five-year strategic plan as "...the total operating cost divided by the number of vehicles that use the facility during a certain period," is a common performance metric used by toll facilities to measure the efficiency of their operations. Though an imperfect and somewhat controversial measure given both the challenges in identifying which costs should be consider as part of "total operating cost" and the variability of traffic, cost per vehicle (or transaction if all vehicles are tolled) is recognize in the industry as a key performance indicator against which toll facilities can be evaluated and managed. For CCCD, as its tolls are collected for only eastbound traffic, the number of recorded toll transactions is doubled, serving as a reasonable proxy for the total number for vehicles that

<sup>3</sup> MdDOT Job Descriptions

cross the bridge. Using these figures, CCCD achieved a cost per vehicle of \$0.28 for FYE08 based on bridge-related expenditures of \$17,829,276 and a vehicle count of 62,796,034. This figure is in line with CCCD's target of \$0.27. For FYE07, CCCD's cost per vehicle was \$0.24, approximately 11 percent lower, but consistent with a commensurate rise in operating costs, the largest contributors of which were higher overtime and professional services expenditures as well as equipment purchases for its police forces, and virtually flat traffic growth. In the past, CCCD's target was \$0.30, but over five years starting in FYE07, this figure is targeted to be reduced annually until \$0.20 is achieved. Given the inflationary forces and historical flat growth in vehicles, CCCD will have to reduce costs in order to meet this objective over the coming years.

- *Charter member of the Alliance for Toll Interoperability* – As a pioneer in the use of electronic toll technologies in the US, CCCD helped establish the Alliance for Toll Interoperability (ATI), a consortium of nearly twenty toll agencies located throughout the southern US with an avowed mission of developing and establishing interoperable toll technology standards. By proactively partnering to ensure greater interoperability of systems, CCCD and its fellow ATI members can deliver better service to toll customers throughout the South who will be spared from multiple, single-system toll tags. In addition, consortium members can, ultimately, lower operating costs by pooling resources, expertise, and procurement leverage.
  - *Integration, though limited, with Causeway Electronic Tolling* – CCCD's electronic toll tags can be used on the Lake Pontchartrain Causeway, but the interoperability is not automatic. Users must still set up accounts with both CCCD and the Causeway and supply their toll tag number to both. No deposit, however, is required to use the CCCD's toll tag on the Causeway, and, when a CCCD tag is used on the Causeway, CCCD remits the toll that is incurred to the Causeway from the user's account. While this interoperability is progressive and improves customer service, an opportunity exists to strengthen the integration with a single, unified account, which would eliminate the need for joint accounts and dual registrations.
- 3) ***Given its substantial ongoing capital requirements, CCCD's ferry service poses a pressing operational challenge that will become increasingly difficult to manage without changes to the routes or service cuts.***

CCCD's three ferry routes require substantial cost subsidization, the vast majority of which is derived from bridge toll revenues. For FYE2008, CCCD targeted and largely met a cost per ferry passenger of \$4.50, which translated into operating expenditures in excess of \$8 million. As ferry tolls are \$1.00 per car, which constitute 58 percent of passengers, this subsidy is substantial. Thus, as ferry tolls annually generate no more than \$250,000 and with marine operations grants of less than \$1 million, most of the operating costs must be covered by bridge toll revenues. Moreover, the costs of operating the ferries have risen at a pace greater than those of the bridge, driven by significant

increases in fuel costs and insurance over last year. As CCCD's toll revenues remain flat, as discussed above, the increasing costs of ferry service are placing further strain on its principal source of operating and capital project dollars.

**4) CCCD has been progressive in its use of performance measures, however current measures are somewhat narrow in scope and difficult to manage against.**

As one of the first DOTD divisions to employ performance metrics, CCCD has a well-established history of progressive performance measurement. Currently, CCCD reports quarterly to the DOTD the following indicators and targets:

- *Average toll collectors' performance scores – 98% or higher;*
- *Cost of bridge operations per vehicle – \$0.27 or less;*
- *Cost of ferry service per passenger – \$4.50 or less;*
- *Toll Tag usage rate – 51%; and*
- *Ferry downtime during scheduled operating hours – 9% or lower.*

For FYE08, CCCD met or improved upon all of these targets except cost of bridge operations per vehicle, the actual year-end figure of which was \$0.28.

While CCCD, its executive team, and the DOTD monitor and measure these areas, the current "scorecard" of measures is rather narrow and limited in scope. CCCD has a broad mission to *"plan, construct, operate, maintain, and police river crossings over the Mississippi River in the parishes of Jefferson, Orleans, and St. Bernard."* Sound performance measurement generally requires measures that reflect an organization's effectiveness in delivering on its mission, with each carefully developed to provide relevant, actionable insights into its operations. While CCCD's current measures do, in part, capture aspects of its mission, several elements are absent. Specifically, there are no measures that reflect CCCD's ability to deliver on planning, construction, maintaining, or policing. Beyond being reflective of CCCD's mission, the current measures also lack any consideration for customer service, excluding ferry downtime, and its employees, both of which are considered essential for a truly "balanced" scorecard. Finally, the most effective performance measures are generally regarded as ones that can be "managed against," namely, that an organization's management team can undertake and pursue actions to strengthen the underlying factors that drive each indicator, thereby improving the final measure. Only two of CCCD's current measures, toll collector performance and ferry downtime, can be considered fully actionable as management intervention can directly influence the ultimate result. Two others, cost per car and passenger, are partially actionable as management can enact measures to curb costs, but is highly limited in its ability to increase traffic. The final measure, toll tag use rate, is particularly problematic given, as outlined above, the perverse incentive to maintain suboptimal toll tag usage to preserve sufficient toll revenue under the steep discount over cash tolls. CCCD management is, therefore, effectively enjoined from influencing the usage rate as it is disincentivized to promote

greater adoption, unable to operationally afford to forfeit the additional toll revenue of higher cash collections despite the lower transaction cost and convenience to the user of a cashless toll.

In addition, in a broader sense, CCCD's performance measures should also be derivative of and aligned with DOTD's mission to "deliver transportation and public works systems that enhance quality of life and facilitate economic growth and recovery," with an emphasis on CCCD's role and efficacy in fulfilling this charge. Specifically, both CCCD's mission and performance measures should demonstrate its efficacy in delivering and supporting the key aspects of DOTD's mission. Though broad and rather vague, DOTD's stated "quality of life" and "economic growth and recovery" objectives should be represented and captured in CCCD's mission and performance measures. Currently, such integration and alignment is absent, which, though not wholly essential, does diminish the ultimate value of the measures in gauging CCCD's true performance.

- 5) ***Overall, maintenance of the bridge and ferries performed to ensure both are operational is satisfactory. However, limited funds, rising costs, staffing issues, and aged equipment will pose short and long-term challenges and, as a result of many of these issues, maintenance is largely reactive.***

Maintenance of the CCCD's bridges and ferries has ensured that interruptions of availability or service are few and short-lived. Indeed, CCCD's goal to "maintain ferries to ensure downtime during scheduled operating hours does not exceed 9%" was well exceeded in FYE08, with an actual downtime of 4.58 percent. However, CCCD acknowledges that, with lower ridership and, thus, fewer boats in operation than when the nine percent target was established, it is "easier to maintain a higher percentage of scheduled trips." Nevertheless, CCCD continues to perform satisfactory maintenance of the bridge and its toll facilities, through routine inspections and an annual, exhaustive engineering review and assessment of the ferries to ensure the boats are both operational and compliant with the US Coast Guard's rigorous maritime requirements, inspected and enforced for each ferry several times per year, for revenue-generating vessels. In all, bridge and ferry maintenance has 40 positions (21 for bridge, 19 for ferry), not all currently filled, and accounting for approximately 21 percent of the annual budget.

While service and availability targets are currently being met through its maintenance program, CCCD faces several challenges in sustaining its current regime. These include:

- *Costs of essential materials continue to rise* – As detailed above, the costs associated with maintaining the bridge and ferry operations continue to rise. As also discussed, this matter is compounded by flat revenues and limited, unguaranteed grants.
- *Ferry fleet is aged, requiring costly and complicated maintenance* – CCCD's ferries are exceptionally old, with some having been in operation since the 1960s. Given their age, the fleet is increasingly hard to keep in service as their equipment wears down. Vital parts for such

old vessels are no longer manufactured, requiring CCCD to special order custom replacement parts, which is both costly and time-consuming. CCCD is further challenged by having only one alternate ferry available for rotation while another is serviced. Hence, protracted, unplanned maintenance can render sustained service of routes challenging.

- *Finding, hiring, and retaining qualified crew members is challenging, with largely external forces frustrating these efforts* – At the time of this audit, several entry-level positions in the bridge and ferry maintenance groups (known colloquially as “gangs”) are vacant as CCCD, through both the Governor’s hiring freeze and a persistent difficulty in find qualified applicants, has been unable to fill them. CCCD is challenged by the largely uncompetitive rates mandated by the state’s civil service system for the labor categories it seeks to fill. In New Orleans’s post-Katrina recovery, workers with the skills sought by CCCD, including welding, machine repairs, and equipment operation, are in high demand and prevailing market wages can be one-and-a-half to two times those offered under civil service. While, as CCCD management notes, a position under civil service is more appealing and competitive in the long-term with perquisites such as accreting retirement benefits and generous leave policies offered, these positions are generally filled with younger workers who are not necessarily willing to forgo higher wages in the short-term for such benefits.
  - *With the above three challenges, maintenance effort and resources are principally focused on maintaining service and availability, thus areas not essential to operations are neglected* – While CCCD’s maintenance efforts have been effective in maintaining service and availability, the limited amount of resources has contributed to the neglect of the upkeep other, nonessential areas. Specifically, as the investigators of this audit witnessed firsthand, the ferry landings appear to be poorly kept. Furthermore, in interviews with users, the condition of the landings was of much concern, with consistent dissatisfaction expressed over the cleanliness, signage, safety, and overall appearance of the facilities. While the more exigent maintenance to ensure the bridge and ferries should take precedence, neglect of areas such as the landings, particularly as they are, in many ways, the “face” of the ferry service, is problematic and can diminish overall satisfaction and the public’s overall perception of the operations. Given the challenges of its budgetary and operating constraints, however, it is, perhaps, unsurprising that nonessential maintenance has been deferred.
- 6) ***CCCD and DOTD have undertaken measures to strengthen CCCD’s processes and internal controls that govern its financial reporting, areas of deficiency noted in last year’s financial statement audit conducted by the Legislative Auditor’s Office. Currently, however, CCCD’s back office accounting systems are aged, poorly integrated, and not conducive to ready, real-time analysis.***



While the overall state of CCCD's finances and reporting compliance are beyond the scope of this audit, a review of the efforts undertaken to address and correct some of the underlying issues that contributed to the problems identified in the Legislative Auditor's financial statement audit for FYE07 has shown substantive progress. In the auditor's report, one of the key findings was, "Accounts receivable were understated by \$3,829,399 for toll violations and unpaid tolls on Schedule 14 of the [Annual Financial Report]." Given size of this understatement, it was subjected to particularly keen scrutiny by the Auditor, CCCD, DOTD, the Legislature, the public, and even the media. In responding to this and other findings in October 2007, DOTD noted that these funds were not "lost or misplaced," but rather "...simply [were] not properly reported in the AFR. The necessary paperwork from the Division was not received at the Department prior to the August 31 deadline and therefore was not available for inclusion in the AFR." To preclude such lapses and oversights in the future, DOTD pledged to improve communications between DOTD's and CCCD's accounting groups, review and reengineer financial reporting processes, and institute more rigorous internal controls. Ultimately, its "goal is to ensure the efficient and effective management of our resources along with the proper reporting of such."

Interviews with CCCD's management lent further explanation for the toll violations accounting oversight. According to CCCD management, DOTD's accounting department in Baton Rouge was expected to handle this per existing protocol, with CCCD remaining accountable for its timely completion. The failure to submit the paperwork on time, as noted above, was the direct result of this division of reasonability and accountability. To help ensure such an oversight would not occur again, CCCD requested that, if its management were to remain accountable for the reporting of these accounts, it should be granted the responsibility to complete them in its accounting department. DOTD agreed to this, and CCCD's deputy assistant executive director received the training at DOTD's headquarters in Baton Rouge to prefer these additional functions. Hence, CCCD will directly oversee and manage the accounting of these funds, thus eliminating the opportunity for such a mistake in the future. This and other efforts by CCCD and DOTD to address the problems outlined by the Legislative Auditor's report should greatly reduce compliance issues in the future.

Finally, CCCD accounting system is aged and has limited integration with DOTD. The current budget and financial system and its reports are difficult for the uninitiated to use and interpret, lending unnecessary challenge to management and analysis. Specifically, the system lacks robust reporting that produces a level of granularity that managers and their staff can review to assess status of key operational considerations, such as the expenditures on labor for specific classes of employees. Without such functionality, managers have access only to limited or delayed financial data, which can contribute to difficulties in managing tight budgets.

- 7) ***CCCD's capital improvement program includes the projects established in Act 402 of 1976 and most have been completed or are in progress with funding in place. However, as detailed above, the current and projected operating deficits have necessitated the suspension of further development as the funds to initiate new project starts are neither available nor anticipated.***

As noted previously, CCCD has, through its statutory mandate, a slate of 14 major capital improvement projects<sup>4</sup> that was established by the Legislature and was to be principally funded with surplus toll revenue. These projects are prioritized by the CCCD Oversight Authority, the sole function of the 13-member group as recommended by district legislators and appointed by the Governor, to give precedence to those of exigent need or that would lend the most benefit. The prioritization established in Act 59 of 1998 proffered the following guidance (ad verbum) for the 10 of 13 projects pending at that time:

- Priority 1: a) Complete bridge painting project
- Priority 2: a) Peters Road on/off ramps
  - b) Widen Barataria Boulevard
  - c) Extend 4<sup>th</sup> Street in Gretna
  - d) Turnarounds, right/left turn lanes on General DeGaulle
    - i) Widen General DeGaulle
- Priority 3: a) Mardi Gras down ramp
  - b) Widen Peters Road
- Priority 4: a) Extend Peters Road
  - b) Widen Lapalco Boulevard
  - c) Manhattan on/off ramps

As of this audit, the following projects of this prioritization were completed: bridge painting; Barataria widening (partial); and General DeGaulle beautification. In addition, the following projects are either underway or have received funding to begin construction: 4<sup>th</sup> Street extension and partial funding of Peters Road on/off ramp. The other projects are "on hold" until additional funding can be identified.

As discussed previously, these outstanding capital projects are growing costlier the longer they are deferred and, as no toll surpluses are expected for the remainder of the toll authorization, these projects will likely go uninitiated. In fact, the Oversight Authority has not convened for some time as the static project inventory and lack of funding has rendered further reprioritization effectively unnecessary.

- 8) ***Strong customer service policies and initiatives are found throughout the CCCD's operations and user surveys have shown overall satisfaction. Given the service-oriented nature of CCCD, however, a stronger focus on customer service and satisfaction would be beneficial and in direct support of DOTD's mission.***

<sup>4</sup> Full list available in La. R.S. 47:820.5 (2008), section 2.

As a custodian of vital state infrastructure, CCCD has a unique mission and obligation to serve the public and ensure its services are rendered timely, effectively, and efficiently. Moreover, as an operator of toll facilities, CCCD and its services are held to higher standards than those of free roads and bridges as users expect an appreciable measure of value from the tolls they are obliged to pay, especially, as some critics contend, it is a "double taxation." Thus, CCCD's customer service is paramount to its operations and must remain the principal focus of its mission. Much to its and its management's credit, CCCD has various policies and protocols in place to promote a strong sense of customer satisfaction. Among these are:

- *Vigorous pursuit and implementation of service-enhancing technologies* – As detailed above, CCCD was the first toll facility in the country to offer cashless tolling, an innovation in toll collection that offers a tremendous measure of convenience. Beyond the convenience, though, CCCD's cashless tolling offers a 60 percent discount over cash that has remained in place for nearly two decades, saving toll users millions of dollars. It is worth noting that while most other US toll facilities offered discounts to encourage early adoption of toll tags by users, though nowhere approaching 60 percent, these have been largely phased out or eliminated once target use levels are achieved. Other progressive, service-enhancing technologies in place include cheaper, less obtrusive toll tags; automatic toll tag balance replenishment; "low toll balance" notifications at the service booth; and license plate recognition that, if a toll tag is malfunctioning or not present, can check if a vehicle's plate is associated with an existing account and CCCD can bill accordingly without assessing a no-tag penalty.
- *Surveys of ferry users conducted annually by the Regional Planning Commission* – Ferries users are surveyed annually to gauge user perceptions, the use and quality of service, and the composition and demographics of the user base. This survey allows CCCD management to assess the overall state of the ferry service, providing invaluable insight into the operations and customer service. In the survey conducted in December 2007, users were polled on a variety of measures. According to RPC, the results of this year's survey are currently being compiled and will be available shortly. For the 2007 survey, the results were mixed, with high (in excess of 67%) reports of Chalmette-Lower Algiers Ferry passengers' being left because of overcrowding with over 23% of respondents reporting such instances occur more than five times per month. Unfortunately, the survey lacked a discrete measure or specific question on overall satisfaction. However, the survey did record and tally the passenger comments by type and nature, providing some insight into user needs and satisfaction.
- *Customer service training for "customer facing" workers* – As noted by CCCD management, toll operators and ferry hands are the "face" of CCCD, interacting with thousands of customers every day. With this mind, CCCD management mandates training for these entry-level positions that includes a deliberate focus on customer service. Employees are instructed to be courteous, including concluding every transaction with a "thank you," and accommodating, for instance, willing to offer directions if asked. They are also trained to manage rude or combative customers and handle incidents

such as a faulty toll tag or inability to pay, handling the individual issue without unduly affecting other users.

- *Thorough complaint handling process* – CCCD management executes a rigorous protocol in the event of a serious customer complaint. When such a complaint is received, management reviews the documentation or speaks with the customer; meets with any employees involved; reviews surveillance footage if available; and performs the appropriate remedy, seeing it through to resolution.
- *Highly accommodating violation appeal process* – Despite having some of the strongest toll violation inducement measures, such as registration and license holds, in the country at its disposal, CCCD offers a highly accommodating violations appeal process. Users who are issued violations, which can total hundreds of dollars in late and administrative fees for long-outstanding balances, can appeal to CCCD if they believe the violation was issued in error. If users are unable to resolve their objections through communication or correspondence with the toll collections office (a point at which they would otherwise have no recourse), they can appeal, in person, at bimonthly arbitration sessions with CCCD's chief counsel acting as arbitrator. He and other CCCD representatives meet the appellants individually, allow them to argue their case, and the chief counsel can vacate fees deemed unjustly applied so long as the user still pays the outstanding toll. This arbitration can save users hundreds of dollars and have holds removed while allowing them to fulfill their obligations to CCCD equitably. While CCCD is not legally required to offer such consideration, it lends a significant measure of customer service for the public.

Looking beyond these effective and commendable customer service areas, CCCD's operations could be enhanced with a strong, better-defined strategic focus on user satisfaction. As mentioned previously, CCCD's mission and performance goals lack any customer service element, which, in an organization chartered to serve the public, should be essential. In addition, especially for the bridge, there are only informal measurements of user satisfaction, such as the number of complaints and compliments, and no surveys are conducted beyond the RPC's ferry survey. Without defined indicators and formal, routine measurement of passenger satisfaction, it can be challenging to monitor it, ensure staff are focused on it, and identify opportunities for improvement. Overall, it is more difficult for the executive team to manage strategically to deliver superior customer service as an organization. Specifically, if areas of customer dissatisfaction are identified, either through complaints or user surveys, it can be difficult to implement actions to remedy it, particularly if no individuals in management are explicitly tasked with initiating and overseeing them. Effective, progressive organizations that oversee public services ingrain a strong, overarching customer service philosophy that informs its management and strategic planning. This ensures that their missions remain focused on delivering the utmost satisfaction to its users as efficiently as possible.

- 9) *In management and strategy, CCCD is limited in its planning as an essential part of the Greater New Orleans area's transportation system, limiting integration considerations and opportunities to serve the region*

***better across all transportation infrastructure and assets. In addition, consistent outreach to the communities served by CCCD is limited, which has engendered a perception of a lack of transparency among the public and politicians.***

In interviews with CCCD officials, the RPC, and others, it was difficult to identify and discern cohesive, integrated strategies across the Greater New Orleans area for the region's transportation systems. In particular, limited communications seems to exist among CCCD and the New Orleans Regional Transit Agency, which operates the City's bus and streetcar services, and Jefferson Transit, which serves suburban Jefferson Parish, including Metairie, Gretna, Terrytown, Harvey, and Marrero. For instance, during the course of this audit, an oil spill in the Mississippi River in July forced the complete suspension of CCCD's ferry operations for two days while the clean-up was underway. The Canal Street-Algiers ferry was out of service for nearly three weeks after the spill, resuming operations on Aug. 12, as the Coast Guard used ferry's landing as a staging area for the clean-up. Even though the ferry service was suspended, no additional public transit routes were made available until two weeks after the initial closure. In an article published in the *Insurance Journal* on Aug. 13, a spokesperson for RTA claimed to have been unaware that the Canal-Street Ferry was still out of service, stating, "We hadn't heard anything."<sup>5</sup>

In this instance, better communication and coordination among the City's transportation providers could have helped ensure that additional services are furnished in the event of protracted closures such as those caused by the oil spill. Beyond these temporary interruptions, however, joint planning and coordination among these groups, the RPC, and others would afford opportunities to enhance then area's collective transportation system, allowing providers to optimize their services to best complement and supplement those of others.

Beyond a lack of an active, beneficial cooperation with the area's other transportation providers, CCCD also has limited community outreach initiative. In interviews and reviews of media reports and user groups' web sites, a consistent concern expressed was a perceived lack of communication and transparency across CCCD's operations. Perhaps the most oft-related concern was the transparency of CCCD's finances, with various individuals and groups questioning the reliability of CCCD's financial statements as well as the uses and justifications of its spending. These concerns generally proceeded from a lack of information about CCCD's finances and various misinterpretations of particular items or explanations. Whatever the causes, however, these concerns have instill a distrust of CCCD among many of its key stakeholders, and management's seeming lack of ready public disclosure only compounds the unfavorable perceptions.

Finally, though a key resource and vehicle for information dissemination, CCCD's web site is very limited, lacking information on the current status of service and

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<sup>5</sup> "Hearing Examines Wreck That Caused New Orleans Oil Spill." *Insurance Journal*, retrieved at <http://www.insurancejournal.com/news/southcentral/2008/08/13/92735.htm>

the organization's financials, which can serve to reinforce a perceived lack of communications and transparency.

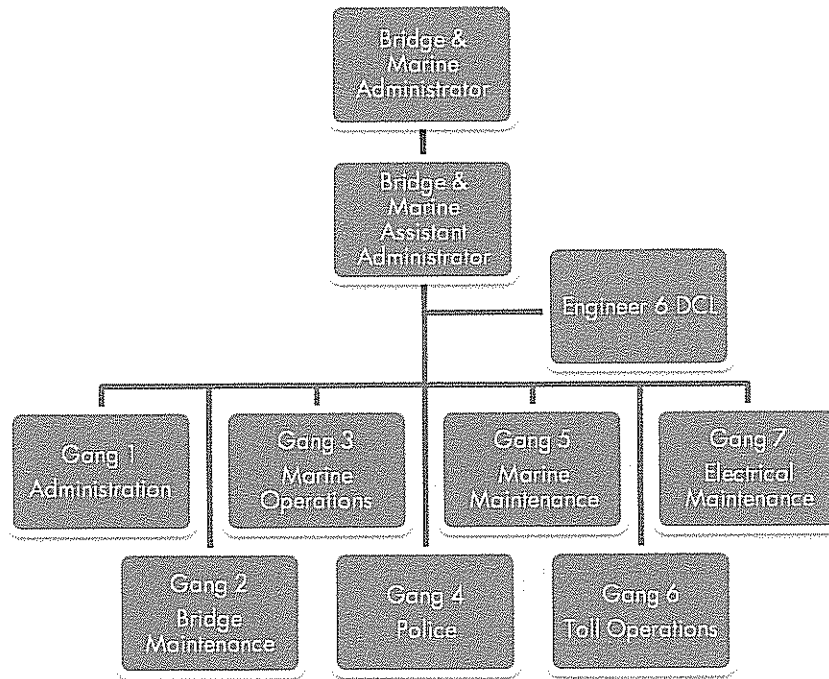
## Organization

- 1) ***Similar to most public agencies, CCCD's organizational structure is very hierarchical, with lower-level staff overseen by mid-managers who, in turn, report to executive management. While such a structure lends certain advantages, an existing lack of clearly defined roles and responsibilities across the organization has, in many ways, created inefficiencies, ill-defined accountability, and duplication of effort.***

CCCD is organized into a multi-tiered, highly stratified structure, comprising seven "gangs" with a large number of entry-level positions, including toll collectors and ferry hands, managed by a stratum of supervisors or foremen, all overseen by a manager or superintendent. These managers report to the bridge and marine assistant administrator who then is supervised by the bridge and marine administrator, who oversee the entire organization. A staff engineer also reports to both the administrator and assistant administrator, but is not part of any gang, nor does the position oversee any others.

While CCCD's structure is similar in intent and function to most large public agencies that provide government services, there are areas that pose some inefficiencies and potential issues from both an organizational and an operational perspective. Among these are:

- *CCCD's organizational structure is different from the nine other districts under DOTD – Unlike CCCD, the nine other districts of the DOTD are organized under a district engineer administrator, who oversees the entire district. This is a key distinction because CCCD's engineer and administrator positions are discrete, with the engineer in a subordinate support role to the administrator and not the supervisor of any other departments. While the management within each division need not be identically structured, given the different nature and requirements of the bridge and marine administrator versus a district engineer administrator, positions of the same level and direct report but with different skills and duties can be more challenging to supervise and evaluate performance.*
- *Engineer lacks direct authority over operations and gangs – Relating to the prior point, CCCD's engineer is only in a support position to the administrator and is without direct oversight of the other areas of CCCD despite his role in overseeing the planning and execution of maintenance and construction of the organization. As such, he lacks the authority to directly compel the gangs and their managers to perform, and instead, must rely on the administrators.*
- *Responsibilities for bridge and marine administration consolidated but spread over two positions contributes to overlap in duties – The positions of bridge and marine administrator and bridge and marine assistant administrator oversee both the toll bridge and ferries and share*

**Figure 3 – Current CCCD Organizational Structure**

responsibilities for the entire organization. In fact, responsibilities for the positions are identical, save the addition of "assists with" to the responsibilities of the assistant administrator over the administrator. Such a superficial distinction between the two positions tends to lead to either a sharing or an overlap of responsibilities, which can contribute to uncertainty and inefficiencies. Without clearly delineated roles and responsibilities, management positions cannot be as effective in ensuring the efficient operation of the organization.

- *Succession planning and knowledge retention are lacking, subjecting CCCD to potential transition issues in the future when current staff retire; a dilemma face by many public agencies across the country – CCCD is facing a management succession challenge, especially after the departure of its long-time administrator, as its two most senior staff members are eligible for retirement and no clear successors have been identified. This further presents a knowledge retention dilemma as the current staff members on the verge of retirement will, in most cases, take with them decades of experience and an intimate understanding of the CCCD's operations, leaving a potentially large knowledge gap even if the positions are filled with current staff members.*
- 2) *As detailed in previous sections, CCCD's operation and oversight of both the toll bridge and the ferries presents operational and organizational challenges. Specifically, given the dissimilar nature of the two operations and the subsidization of the ferries with the bridge toll revenues, the*

***organizational structure of CCCD is necessarily complex and burdened with intrinsic inefficiencies.***

CCCD operates and manages two distinct, largely unrelated transportation infrastructure assets, each with its own operational and maintenance considerations and requirements. As such, it must operate two sets of operations and maintenance gangs for both the bridge and ferries, each with their own staff trained to perform the required functions to ensure service. While the folding of both these units under one organization affords several economies, such as all administration functions including accounting, toll collections, human resources, and others, managing both in CCCD's current structure presents two key challenges:

- *Both administrators jointly oversee and manage all operations, with no one position wholly responsible for the bridge or ferries as discrete units* – While both administrators' sharing oversight of the bridge and ferry operations lends some advantages, such as possessing a complete overview of the organization, it also presents challenges. Specifically, there is no one position with the accountability and authority to manage each unit independent of the other. With CCCD's current organization structure, the bridge and ferry services are operated and maintained by two separate gangs each, with one position at the head of the individual gangs. These gang managers, one from the operations and maintenance gangs each, all report to the administrators. This can be challenging for the administrators as they, by virtue of the existing organizational structure, must manage, oversee, and coordinate the operations and maintenance functions for both the bridge and ferries.
- *The ferry service's large operating deficit requires substantial subsidization from toll bridge revenues, diminishing the ability of management to operate each as efficiently as if they were wholly independent* – The significant deficit, over \$9M, incurred by the ferry services each year can only be filled using revenues diverted from the bridge revenues. As this expense consumes in excess of 40% of bridge toll revenues, it will only become more difficult to sustain as tolls remain flat and costs continue to rise (as discussed previously). As such, managing the bridge and ferries under a single organization with such a yawning disparity in performance of each requires suboptimal operations compared with independent units. For instance, as detailed in the preceding section, with bridge tolls diverted for ferry operations, capital projects related to the bridge are increasingly difficult to fund, requiring CCCD to delay or forgo these improvements to maintain the mandated ferry service. Furthermore, as also previously mentioned, CCCD is disincentivized from pursuing some opportunities, such as increasing toll tag usage that could improve service on the bridge in light of the revenue it could lose and the larger deficit it could face. Thus, a tension between managing the two operations will persist so long as such an imbalance remains in the performance of each, requiring management to reconcile the requirements of one potentially at the detriment of the other.



- 3) ***Ten ferry routes currently operate under the ultimate oversight of DOTD, seven directly and three under CCCD. The separation of CCCD's ferry routes from the seven others operated by DOTD presents some notable advantages, but also some inefficiencies.***

DOTD operates seven of its own ferry routes, though several are temporary closed in the aftermath of Hurricane Ike, which are managed, as is CCCD, under the Office of Operations. These ferries are located throughout the state, overseen by the office's fleet manager, and funded by DOTD. CCCD's ferries, while still with the ultimate purview of DOTD, are operated exclusively by its units and are funded with toll bridge revenues and federal grants. This arrangement does lend operating advantages, most notably the proximity of the toll bridge and CCCD office to the ferry routes, permitting ready oversight. Yet, there are also clear inefficiencies created by maintaining the separate operations. Specifically, the resources, staff, and expertise of each are unavailable to the other, necessitating that both maintain their own largely duplicative operations. As such, economies and efficiencies born of consolidated operations and resource sharing are necessarily forfeited, increasing the total costs for all ferry service. Moreover, all DOTD ferries were placed under the direction of CCCD's predecessor, the Mississippi River Bridge Authority, by then Secretary of Transportation Robert Graves from 1984 through 1988 with a separate state budget.

#### **Governance**

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- 1) ***Although governed as DOTD's tenth district, CCCD operates largely autonomously, functioning with limited oversight from DOTD. As such, the roles and responsibilities must be clearly delineated and adhered to, with open, consistent communications between CCCD management and DOTD's principals. Historically, such a relationship has not been adequately maintained, contributing to the need for rather reactive oversight and intervention by the LADOTD when issues occur.***

CCCD has been referred to as the "bastard child of DOTD" given its unique status as a multi-jurisdictional district that, unlike the nine other Louisiana districts, operates largely independently of DOTD, overseeing a narrow realm of responsibility that is self-sufficient in its operations. This arrangement presents distinct challenges for both CCCD management and DOTD, necessitating a well-established, mutual understanding of the responsibilities and obligations required of each to ensure jointly effectual and satisfactory governance and oversight. Through interviews with CCCD management and DOTD principals, a lack of consistent communication as well as incongruous expectations was evident, indicative of potential governance issues. Specifically, the following areas suggested inadequate or misdirected oversight is currently present:

- ***Inconsistent perceptions of the extent of DOTD oversight*** – Interviews with CCCD and DOTD officials revealed that a disparity exists in the extent to which DOTD actively oversees CCCD's operations. DOTD representatives reported that consistent, periodic "check-ins" and site visits are performed by the DOTD to ensure CCCD operations are in order. On the contrary, however, CCCD officials indicated that such visits to CCCD's headquarters are rare, with one staff member unable to recall the last time such a visit occurred, and DOTD only

reaches out in the event of an issue or complaint. Whatever the case, however, definitive, formal protocols for such oversight are not in place, contributing to the lack of consistency in expectations between CCCD and DOTD management.

- *Current performance measures, though reported quarterly to DOTD, are narrow in focus and utility, supplying limited insight into CCCD operations* – As detailed in previous sections, the performance measures in place at CCCD and that are part of the Undersecretary's scorecard, while providing some relevant data on CCCD's operations at a very high level, are narrow in focus and are, in most cases, not amenable to direct management intervention. As such, they provide DOTD only limited insight into the efficiency and efficacy of CCCD. While the quarterly periodicity of the measures does allow DOTD to be kept relatively informed of past performance, there is little opportunity to intervene to address potential issues given their parochial scope. Measures absent truly actionable information serve little purpose, especially for those largely removed from an organization's day-to-day operations, and, particularly in this case, underscore the need for consistent communication between the principals of both groups to ensure that a full and proper apprehension of current and near-term performance exists. Otherwise, relying only on a narrow band of performance indicators can lead to an incomplete understanding of operations and lost opportunities to improve them.

**2) *Policy for CCCD is set by the DOTD. However, those currently in effect are ill defined and oversight and review of these policies are lacking.***

CCCD's policy-setting authority rests wholly with the DOTD, while the sole function of CCCD's Oversight Authority is, statutorily, the prioritization of capital projects. As such, DOTD is responsible for establishing, articulating, and enforcing the policies that govern CCCD's operations. With this authority, DOTD's principals must ensure that policies, objectives, performance measures, and all that informs and drives the ultimate mission of CCCD remain relevant and reasonable and are monitored to maintain compliance and fitness. DOTD has been proactive in identifying and mandating performance measures, however inadequate, and imputing accountability for meeting their targets. Beyond this, however, little effort appears to have been made to review and refresh the overarching policies in place for CCCD. As previously mentioned, CCCD's mission remains broad and vague and not in alignment with that of DOTD. In addition, beyond the capital projects inventory, no clear strategic plan exists for CCCD, which, given the current expiration of tolls in 2012, is essential to prepare for the future. Vested with such responsibilities, DOTD's principals must ensure comprehensive policies are in place so that CCCD's management is supplied the guidance essential to performing their duties to meet DOTD's expectations.

## RECOMMENDATIONS

IMG's analysis has revealed a wide spectrum of potential opportunities to enhance the management and operations of the Crescent City Connection Division through a variety of functional and organizational improvements. The following recommendations, divided among the areas considered in the analysis above and including long-term strategic considerations, serve to address the issues identified as well as best leverage the opportunities that exist.

### Operations

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#### ***Bridge Operations***

- 1) ***Commission a benefit-cost analysis and feasibility study to implement open-road tolling for the bridge, eliminating costs associated with cash collections.***

The transaction costs associated with open-road tolling (ORT), fully electronic tolling, are substantially less than operating both cash and electronic tolling. Thus, several toll roads across the country, such as SH-121 in Texas and those under construction in Virginia and North Carolina, and around the world have migrated to ORT, eliminating cash collections and relying on proven technologies to capture tolls, including license plate recognition. By performing a benefit-cost analysis and feasibility study, CCCD could determine if such an approach would be effective and practicable for bridge tolls.

#### ***Ferry Operations***

- 2) ***Commission a study, either independently or in conjunction with a similar effort currently being pursued by RPC, to evaluate the current ferry system, assessing routes, permitted passenger classes (pedestrian-only, for instance), operating hours, and all the fundamental aspects to determine the most efficient and cost-effective service.***

A study of both schedules and routes based on current customer demands and new opportunities to create demand with the input and commitment of several community stakeholders, such as parish leadership, would allow CCCD to evaluate and optimize ferry service. CCCD has not significantly changed the ferry schedule and routes since Hurricane Katrina, yet the community and ridership has changed significantly. For example, several sources throughout the discovery phase of the audit identified more ridership demand at certain locations, particularly the Chalmette-Lower Algiers route, while some terminals may not merit continued service. In addition, ferry transport of vehicles may not be needed at all the landings currently serviced, which, given the costs, in particular fuel, associated with transporting vehicle, substantial operating savings could be realized. The opportunity to realign the current ferry system may also allow additional boats to be held for maintenance, pricing changes for ferry ridership, and a more demand-oriented schedule to better serve local businesses and their workers. Finally, given the stringent Coast Guard regulations that govern revenue-generating vessels as well as the associated operating costs of toll collections, CCCD and DOTD should consider eliminating the tolls collected for the ferries.

- 3) ***Evaluate the potential of the current ferry system and routes to serve as an economic development opportunity for businesses and parishes as well as a tourist route of transportation in addition to its current operations as a local transit option.***

The ferry system has been described by several stakeholders interviewed during this audit as more than a preferred route of transportation by some citizens—the ferries are perceived as a part of the culture and identity of the area. In addition, the ferries and their respective landings are acknowledged assets that can be leveraged for the community. Currently the ferries are considered as only a transit mode. However, just as the streetcars in New Orleans are not simply transit options, the ferries could similarly serve the core hospitality industry of the area by providing a service with many purposes: transit, community development, and tourism. Utilizing the ferries as an economic development impetus to add transit service for both businesses and tourism efforts could grow the development of up and coming business corridors in several parishes while also increasing ridership revenues, serving a much wider segment of the New Orleans community.

#### ***Maintenance***

- 4) ***Develop both short and long-term maintenance project plans to better estimate and prepare for all maintenance activities and fit them as closely to the budget as possible. Conduct an assessment of the lifecycle of all assets, especially the ferries, to incorporate into a long-term capital plan.***

Due to the long asset life and extensive maintenance of both the bridge and ferry systems, the effective management of the CCCD requires both short and long term maintenance project plans of all the gangs to outline the time tables for maintenance, project the expected costs and type of work, and plan for the engagement of multiple efforts running at once. The dependence of these forecasts in tandem with the main budget is imperative to efficiently predict costs and manage the entire operation of the CCCD. By outlining and predicting the majority of the expenses to be incurred, a more accurate forecast is possible to present to the governing authorities such as the Advisory council, the DOTD, and elected officials.

#### ***Regional & Community Relations and Customer Service***

- 5) ***Formally assign authority, responsibility, and accountability for customer service and community relations to one senior position within CCCD. With this charge, the position will oversee all aspects of CCCD's service in relation to the public, and DOTD will ensure those responsibilities are fulfilled timely and effectively.***

The formalization of authority and accountability for customer service and community relations is essential to ensuring associated goals and objectives are met. Otherwise, CCCD and DOTD risk a diffusion of responsibility, with these vital obligations going overlooked and unattended. By vesting one or even multiple positions with discrete, clear customer service and community outreach duties, CCCD and DOTD can readily task individuals with specific initiatives and follow up to ensure they were successful.

**6) *Pursue increased cooperation, integration, and communication among the greater New Orleans area's transit organizations to develop and establish a regional transportation strategy.***

Given the numerous transit authorities that operate in the greater New Orleans area, opportunities exist for enhanced coordination and cooperation to better serve the region's ever-evolving transportation needs. Were such communications in place, CCCD would, for instance, be able to establish a ferry closure policy that identifies how the CCCD will work with local transportation entities to provide a secondary, backup system of transportation if a ferry route is disrupted for more than one shift. A key concern from community groups, like the Friends of the Ferry, is that a ferry closure policy must be in place with some transportation relief options for citizens. As an organization, the CCCD can address these concerns about the dependability of the ferries by creating a series of realistic contingency agreements with local transportation entities as well as the CCCD bridge police to take responsibility for the system as well as the service. The broader, more long-term benefits of such cooperation, though, could be significant, with the separate transit authorities coordinating schedules to optimize routes and operating hours, which could reduce the operating costs for each organization. With these groups' planning and optimizing their services as part of a larger system rather than as discrete, independent authorities, the entire transportation network of New Orleans would be greatly improved, better serving the public.

**7) *Enhance information accessibility and transparency through improved community relations, allowing the public to easily access and find general information on the bridge and ferries as well as details on CCCD's operations and financials. In addition, formalize surveying of users to gauge overall satisfaction of both the ferries and the bridge.***

CCCD should proactively address customer service and community relations by communicating directly with the public through better use of information dissemination vehicles such as a robust web portal. These can serve as a mechanism to update citizens concerning traffic and closure information, upcoming construction/maintenance, address changes, give responses to complaints, and support a feedback mechanism. A website could also serve a mechanism to increase transparency with ferry riders and bridge commuters, announce positive accomplishments such as projects completed, and share the results of specific projects (i.e. the ridership survey from the Regional Planning Commission) and ready access to financial information. In addition, the CCCD could communicate the capital projects underway and funded with toll revenues, which could address persistent concerns of the public that tolls are not creating value. CCCD's ability to communicate directly with those who use the bridge and ferry system as well as other key stakeholders is crucial to upholding their customer service obligations and the citizen's ability to identify communication routes for complaints and suggestions related to the CCCD is necessary to the everyday operation of an effective transportation system.

In addition, CCCD should implement a more formal customer-surveying regime that aims to measure overall user satisfaction for both the bridge and ferry service. While the RPC does currently conduct an annual, comprehensive survey of ferry users, which provides insightful data on passenger demographics and usage trends, it does

not provide clear information on the satisfaction and perceptions of users. Moreover, no surveying of toll bridge users is performed. Were CCCD to implement a more robust and rigorous surveying program, such as that conducted by the Texas Transportation Institute, the Dulles Toll Road in Virginia, and toll facilities throughout the country, it could assemble highly useful information on the public's view of its performance, assisting management in identifying opportunities to improve service across all its operations.

- 8) *Improve the operational state and cleanliness of the ferry landings and structures by adding necessary signage and information as well as police patrolling.***

Proper maintenance and cleaning of all the equipment and structures related to the operations and function of the bridge and ferry systems should be of primary concern to the CCCD, but in particular, the status of the ferry landings and structures has been a particular complaint regarding the CCCD. Two areas of improvement are: general cleanliness and upkeep of posted information concerning schedules, directions, and emergency contact information. Ensuring that the ferry landings are accessible and in compliance with federal regulation concerning handicap access as well as identifiable as the appropriate entrance to the ferry is necessary. An additional concern and piece of anecdotal evidence given throughout the interview process concerned whether there is a lack of visible police presence at the landings. Improvement in the physical aspects of the ferry landings may improve the accessibility and user-friendliness as well as encourage more ridership.

#### **Employees**

- 9) *Address the transition cost of continual employee turnover and the necessity of experienced and loyal employees staying within the ranks of the civil service hierarchy.***

Given the level of expertise or general experience requirements of many of the positions within the CCCD, the employees with the types of skill sets and backgrounds required for CCCD to operate are perhaps not as readily available in the post-Katrina economy, increasing the transition costs of fairly consistent turnover within the lower ranks of the CCCD. Several management practices could assist in increasing the retention and tenure of current employees: exploring the option of offering/encouraging extended training in the jobs identified as difficult to replace, creating development plans for employees within the organization, etc. Also, a review of the human resources hiring policies is needed to ensure that unnecessary and/or excessive hurdles and screening are not limiting the possible candidate pool to select eligible and appropriate candidates for jobs crucial to CCCD operations (i.e. welders and mechanics for the ferries and bridges). Working within the obligations of the Louisiana hiring freeze, the DOTD, as well as the civil service authority, the CCCD should be proactive as possible in keeping and filling positions essential to the organization's management and operation.

- 10) *Improve the level of disclosure of all maintenance and operations budgetary information from the upper management to the supervisory middle management as well as improve the feedback mechanism for middle management to relay maintenance and supervisory information.***

Ensure the CCCD senior management not only gathers but also disperses necessary and practical maintenance and operations budgetary information to their middle managers along with clear actions and related goals to work in tandem. The spread of information throughout the entire organization allows for informed decision-making and consistency of operational decisions. Also, consider the mechanisms that allow better information feedback from the middle management to the upper management. Improvements are needed concerning the upper management's focus on strategic action and the utilization of their middle managers to employ operational goals would keep the organization from both the current duplication of efforts as well as increasing informed decision-making across the organization.

### **Organization**

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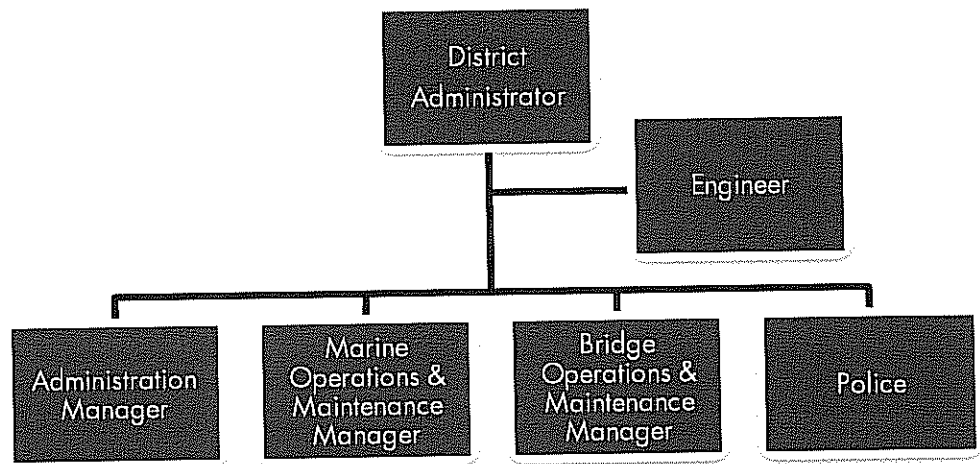
- 1) ***Reorganize, in the immediate-to-near term, the executive management structure of CCCD to consolidate and streamline job responsibilities, reduce duplication of effort, and empower positions to better execute their duties.***

As detailed in this audit's analysis, the current executive structure of CCCD, with an administrator and assistant administrator who oversee both the bridge and ferry operations as well as administration, has created inefficiencies that could be remedied through a reorganized management team. One such structure proposed in the course of this audit would realign the organization under one administrator, similar to that of DOTD's nine other districts. CCCD would then be divided into three divisions – bridge, marine, and administration – with each managed by a manager/assistant administrator who reports to the administrator. The engineer would also be empowered with authority over the marine and bridge divisions to ensure proper and necessary duties and functions are executed. The new administrator position would require not only a rigorous technical expertise, but also robust management and customer service skills that are tempered with a comprehensive transportation knowledge. Such a structure, depicted in Figure 4, would both reduce the overlap in responsibilities that currently exists, allowing the assistant administrators to focus on their areas of authority and responsibility, and empower the engineer to oversee and manage the staff responsible for executing essential capital and maintenance initiatives.

- 2) ***Commission a benefit-cost analysis to determine the potential cost savings from reorganizing CCCD's and the state's ferries under one operating group.***

As noted previously, the DOTD currently operates seven ferry routes, under normal conditions, which are overseen by the Office of Operation's fleet manager. The DOTD should explore the potential cost savings as well as the funding implications were the CCCD's three ferry routes transferred to the DOTD and managed as its other routes are at the present. By doing so, the DOTD could reap the efficiencies and savings of consolidated operations and a single budget, thereby reducing the total costs of the ferry services it oversees. While the current operating costs associated with CCCD ferries would likely have to be funded with other sources if subsidization with the bridge toll revenues is no longer guaranteed, the potential savings of the consolidation combined with the efficiency improvements identified in the proposed ferry study (see above) could prove compelling and warrant serious consideration. CCCD, relieved at least in part of its substantial ferry subsidization requirements,

**Figure 4 – Proposed CCCD Organizational Structure**



would have a potential surplus of toll bridge revenues that could be devoted to outstanding capital projects. DOTD would, however, have to secure the funds to operate the CCCD's ferries that, if no longer supported with CCCD's bridge tolls, would have to come from other DOTD funding sources.

#### **Governance**

- 1) ***DOTD, in cooperation with CCCD management, should establish more formal communications between the two organizations and better-delineated roles and responsibilities to improve mutual accountability.***

The findings of this audit indicate the need for improved communications between DOTD principals and CCCD management to ensure responsibilities are fulfilled and expectations met. Accordingly, DOTD should coordinate with CCCD's management to formally establish protocols for communication between the two organizations to ensure oversight is complete, consistent, and responsive. Such arrangements should include, among other, reaffirming reporting responsibilities and accountability, and establishing formal, periodic bi-directional status updates, and scheduling routine site visits. Through this effort, CCCD and DOTD can better ensure lapses in communications, and the management issues they present, do not occur in the future.

- 2) **DOTD and CCCD should reevaluate CCCD's current mission and its alignment with that of DOTD to refocus on service. In addition, both should reestablish CCCD's performance metrics to ensure they are relevant, actionable, and aligned with the missions of both organizations. Currently, CCCD's mission is devoid of a service focus or even component, and its performance measures are not wholly consistent or complementary, hindering the pursuit of common operational goals and diminishing their ultimate utility.**

As detailed in the preceding section, CCCD's current mission statement is vague, lacks acknowledgement of the public that it is serving, and is inconsistent, but not contradictory, with DOTD's mission and objectives. Furthermore, CCCD's



performance measures, while providing some insight into its overall operations, are narrow in focus, difficult to manage against, and do not include important considerations such as customer satisfaction. As such, opportunities exist for a reevaluation of the mission and the performance measures that, ideally and most effectively, proceed from it. CCCD and DOTD should collaborate on establishing a stronger mission statement that focuses on serving the public, not merely providing infrastructure assets, and is consistent with and complementary of DOTD's, facilitating an alignment of operational strategies and goals. With a more rounded, compelling, and better-aligned mission statement, CCCD and DOTD can establish a more relevant and effective slate of performance measures than that what exists currently. By employing a "balanced scorecard" approach, CCCD and DOTD could develop and implement metrics that conform to proven performance measurement principles and are of greater insight into the state of CCCD's operations, supplying management with data to enhance efficiency and service.

As mentioned above, CCCD has made some good progress in developing and tracking a few key measures but these provide insight for a limited part of the organization. Effective performance measurement programs should provide managers, staff, and governing bodies with the information they need to ensure they are making progress toward the organization's strategy and objectives and consist of a few important characteristics. First performance measures should be balanced across key goals and objectives. For example, CCCD tracks a few key financial and control metrics such as toll collector accuracy but does not measure any elements of customer service, capital deployment, or operational readiness. Next, in order for users to effectively use performance measures as vehicles for improving performance, the measures should consist of a mix of results measures (i.e., results of a customer satisfaction survey) and predictive measures (i.e., installation of new signage). Finally, to be most effective performance measurement programs should be integrated with the organization's performance management program and link individual performance with unit and organization performance. However, the focus should be on performance improvement versus use as a tool for punitive action.

### **Near-to-Long-Term Strategies**

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- 1) Appoint a new Administrator with both the technical and, just as important, management skills needed to transform CCCD into a more effective and efficient, customer service-focused enterprise.**

Given the challenges that face both CCCD and DOTD today and in the future, CCCD's new administrator must possess a unique and robust skills set that will be needed to drive the change essential to CCCD's efficient and effective operations. To this end, the following key competencies, in priority order, should be sought in the individual who will head CCCD:

- i. Proven leadership and management capabilities in a public sector setting;
- ii. Excellent ability to think strategically and lead the organization as it adapts to an evolving external environment;

- iii. Sound ability to build and manage relationships at multiple levels including governing bodies, the communities served by the CCCD, political entities, and CCCD managers and staff;
- iv. Comprehensive knowledge of transportation entities; especially toll operations; and
- v. Demonstrated performance management skills, especially financial management and operations improvement leadership.

**2) Develop a comprehensive strategic plan for the CCCD that will govern and guide its future operations, organization, and management, and will instill a “service” philosophy at the CCCD, transforming it from a mere “infrastructure” provider to an integrated component of a public-focused transportation system for the Greater New Orleans area and the State of Louisiana.**

Given the forthcoming expiry of the CCCD toll collections statute, the recent scrutiny from external stakeholders, and the findings of this performance audit and the police audit, we believe that now is the opportune time to step back and revisit the mission and vision for CCCD and how it fits into the DOTD and develop a thorough strategy and plan its future. This plan would include:

- An evaluation of CCCD's purpose and focus and the potential options moving forward;
- A new vision and mission for CCCD's bridge and ferries that focuses on service as a part of the Greater New Orleans area's and the DOTD's vital transportation system;
- A specific plan for reorganization based on the agreed mission and vision;
- A reengineering of core processes, creation of a structure and roles, definition of a new governance structure;
- An implementation strategy for technologies to support the processes and structure; and, finally,
- A development of specific measurable goals for the CCCD that reflects the strategic direction and provides management key performance indices against which it can better management operations.

**3) Evaluate alternatives for a reinvented role for CCCD as part of an organization with a broader mandate over all Louisiana's toll facilities.**

Given the evolving role of toll facilities in the State, the DOTD should consider the future organization and management of tolling operations from a long-term strategic perspective and it should look to CCCD, with its legacy and leadership in this area, for opportunities to leverage existing experience and expertise. Among the alternatives for a reinvented role for CCCD as part of a broader strategy and mandate for the State's toll facilities, DOTD should consider:

- **Alternative 1: Develop CCCD into a "Center for Excellence" for tolling in Louisiana under the DOTD** – Given its long-standing expertise in tolling, CCCD could be developed into DOTD's tolling unit, assuming all back office functions for current and future DOTD toll facilities, as it is slated to do for LA 1.
- **Alternative 2: Establish a Toll Road/Bridge Authority under the DOTD** – Leveraging the existing assets and expertise of its tolling operations, CCCD and other current and future toll facilities in the State could be consolidated into one authority similar to those in Florida and Maryland. This authority would be empowered to set tolling rates for its facilities; a key responsibility currently held by the State's legislature. CCCD's costly and highly subsidized ferry operations would be transferred to DOTD, which currently manages seven other ferries.
- **Alternative 3: Reorganize CCCD into an independent authority** – Using the model established by the Greater New Orleans Causeway Commission, the Lafayette Expressway, and the Baton Rouge Loop, DOTD could allow CCCD to reincorporate as a parish authority, granting it independence over its operations. This authority would be empowered to set tolling rates for its facilities.

#### Recommended Next Steps for the Secretary's Office

Based on the preceding findings and recommendations, the following "next steps" with suggested timeframes are advisable for the Secretary's Office to undertake:

- 1) **Develop a new mission and vision for the CCCD that shifts focus to service and acknowledges role within a larger transportation system.**

Parties: DOTD Leadership & CCCD Management

Timeframe: Q4 '08

- 2) **Appoint a new CCCD administrator focused on the competencies listed above.**

Parties: DOTD Leadership

Timeframe: Q4 '08

- 3) **Develop a strategic plan for CCCD to instill and promote a "service" philosophy.**

Parties: CCCD Administrator and DOTD Leadership

Timeframe: Q1 '09



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